



Department of Defense DIRECTIVE

NUMBER 1330.9

December 15, 1986

Administrative Reissuance Incorporating Through Change 4, December 4, 1997

ASD(FM&P)

SUBJECT: Armed Services Exchange Regulations

- References: (a) DoD Directive 1330.9, subject as above, May 12, 1982 (hereby canceled)
- (b) DoD Directive 1330.17, "Armed Services Commissary Store Regulations," March 13, 1987
 - (c) DoD Instruction 1330.18, "Resale Activities Conducted With The Use of Nonappropriated Funds, Other Than By Military Exchanges," August 28, 1974
 - (d) through (n), see enclosure E1.

1. REISSUANCE AND PURPOSE

This Directive reissues reference (a) to update DoD policies, prescribe procedures, assign responsibilities, and define eligibilities for implementing the Armed Services Exchange Regulations (ASER) (enclosure E1.) for operating the Army, Navy, Air Force, and Marine Corps exchanges.

2. APPLICABILITY

This Directive applies to the Office of the Secretary of Defense (OSD) and the Military Departments.

3. POLICY

3.1. As Category I resale and revenue producing morale, welfare, and recreation (MWR) activities, military exchanges have the dual mission of providing authorized

patrons with articles and services necessary for their health, comfort, and convenience and providing a supplemental source of funding for DoD MWR programs.

3.2. Military exchanges shall be the primary source of nonsubsistence resale merchandise and services for military personnel on DoD installations, other than items authorized for sale in commissary stores as listed in DoD Directive 1330.17 (reference (b)). The basic authorization for resale activities conducted with the use of nonappropriated funds (NAFs), may be found in DoD Instruction 1330.18 (reference (c)). Resale activities of blind vendors are governed by DoD Directive 1125.3 (reference (d)).

4. RESPONSIBILITIES

4.1. The Assistant Secretary of Defense (Force Management and Personnel) (ASD(FM&P)) shall:

4.1.1. Establish uniform DoD policies of the Armed Services exchange operations.

4.1.2. In coordination with the Secretaries of the Military Departments, maintain ASER, revising as required.

4.1.3. Review annually the deviations granted by the Secretaries of the Military Departments (section 5. and enclosure E2., paragraph E2.1.1.3.).

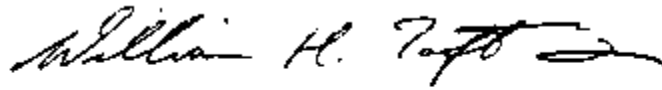
4.2. The Secretaries of the Military Departments, or their designees, shall comply with and shall implement this Directive.

5. INFORMATION REQUIREMENTS

The reporting requirements in this Directive, enclosure E2., subparagraph E2.1.1.3.3., have been assigned Report Control Symbol DD-M(A)1096.

6. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Forward one copy of implementing documents to the Assistant Secretary of Defense (Force Management and Personnel) within 120 days.

A handwritten signature in black ink, reading "William H. Taft, IV". The signature is fluid and cursive, with a long horizontal stroke at the end.

William H. Taft, IV
Deputy Secretary of Defense

Enclosures - 2

1. References, continued
2. Armed Services Exchange Regulations

E1. ENCLOSURE 1

REFERENCES, continued

- (d) [DoD Directive 1125.3](#), "Vending Facility Program for the Blind on Federal Property," April 7, 1978
- (e) Title 10, United States Code, Section 1201 et seq.
- (f) Public Law 85-857, "An Act to Consolidate into One Act All of the Laws Administered by the Veterans Administration and for Other Purposes," September 2, 1958
- (g) Title 33, United States Code, Sections 754a, 857-4, and 857-5
- (h) Public Law 97-252, "Uniformed Services Former Spouses' Protection Act," September 8, 1982
- (i) [DoD Instruction 7600.6](#), "Audit of Nonappropriated Funds and Related Activities," April 16, 1987
- (j) [DoD Directive 7600.2](#), "Audit Policies," February 2, 1991
- (k) OMB Circular No. A-73, "Audit of Federal Operations and Programs," March 15, 1978
- (l) DoD Directive 1015.6, "Funding of Morale, Welfare, and Recreation Programs," August 3, 1984
- (m) DoD Directive 1015.4, "Assignment of Appropriated-Funded Personnel to Morale, Welfare, and Recreation Activities," April 26, 1983
- (n) DoD Instruction 4105.67, "Nonappropriated Fund Procurement Policy," October 2, 1981

E2. ENCLOSURE 2

ARMED SERVICES EXCHANGE REGULATIONS

E2.1. SECTION I--GENERAL PROVISIONS

E2.1.1. PART I--INTRODUCTION

E2.1.1.1. Purpose. These Regulations establish uniform policies for operating Army, Navy, Air Force, and Marine Corps exchanges. Supplementary rules, Regulations, and Directives of the Military Departments, not in conflict with these Regulations, shall remain in full force and effect. These Regulations are not intended to cover detailed procedures or Instructions of the respective Military Departments.

E2.1.1.2. Citation. These Regulations shall be referred to as "The Armed Services Exchange Regulations" and any paragraph may be cited as "ASER" followed by the paragraph number; i.e., this paragraph should be cited as "ASER E2.1.1.2."

E2.1.1.3. Deviations and Amendments

E2.1.1.3.1. Secretaries of the Military Departments are delegated authority to approve exceptions from the attached list of authorized resale items for sale in the continental United States (CONUS). Further delegating of this authority is prohibited. Deviations shall be authorized only after judicious review and shall be granted primarily on the basis of geographical isolation of the installation concerned. Judicious review shall include a listing, by name, of commercial dealers of the proposed exempted item or items within the local community. If price surveys are taken to determine whether or not local commercial retail prices are competitive with those in metropolitan areas, dealers shall be requested to provide their pricing data for comparison purposes.

E2.1.1.3.2. Secretaries of the Military Departments may grant deviations with patron privileges. Delegation of this authority is prohibited. Deviations with patron privileges shall be based on alleviating individual hardships.

E2.1.1.3.3. Deviations granted by the Secretaries of the Military Departments shall be reviewed annually as of June 30 and a report submitted to ASD(FM&P) specifying the exceptions and justifications (Report Control Symbol DD-M(A)1096).

E2.1.1.3.4. Recommendations to amend sections of these Regulations shall be submitted by the Secretary of a Military Department to ASD(FM&P). ASD(FM&P) shall submit the proposed amendment to the Secretaries of the other Military Departments for comment. Upon receipt of the views and comments of the other Departments, the amendment shall be considered for promulgation.

E2.1.1.4. Department Procedures. The Military Departments shall implement these Regulations by prescribing detailed procedures or Instructions that are consistent with these Regulations. Copies of such procedures and Instructions shall be forwarded to ASD(FM&P) and the other Military Departments.

E2.1.2. PART 2--DEFINITIONS OF TERMS

E2.1.2.1. Definitions. Terms used in this Regulation are defined as follows:

E2.1.2.1.1. Military Departments. The Department of the Army, the Department of the Navy, and the Department of the Air Force.

E2.1.2.1.2. Military Services. The U.S. Army, Navy, Air Force, Marine Corps, and the Coast Guard.

E2.1.2.1.3. Uniformed Services. Unless otherwise qualified, the Army, Navy, Air Force, Marine Corps, Coast Guard; commissioned officers of the Public Health Service; and active duty (AD) and retired commissioned officers of the National Oceanic and Atmospheric Administration (NOAA) and its predecessors, the Coast and Geodetic Survey and the Environmental Science Services Administration.

E2.1.2.1.4. Secretary. The Secretary, the Under Secretary, or the Assistant Secretary of Defense or any Military Department.

E2.1.2.1.5. Uniformed Personnel. Members of the Army, Navy, Air Force, Marine Corps, and Coast Guard; cadets and midshipmen of the U.S. Army, Navy, Air Force, and Coast Guard academies; commissioned officers of NOAA; commissioned officers of the Public Health Service; and members of the Reserve components as defined in paragraph E2.1.2.1.6., below, while on extended AD or active duty for training (ADT).

E2.1.2.1.6. Reserve Components. The Army National Guard and Air National Guard of the United States, the Army Reserve, the Naval Reserve, the Air Force Reserve, the Marine Corps Reserve, the Coast Guard Reserve, and Reserve

Officers of the Public Health Service.

E2.1.2.1.7. Dependent. Any of the following:

E2.1.2.1.7.1. A lawful spouse.

E2.1.2.1.7.2. Children under 21 years of age and unmarried, including pre-adoptive children, adopted children, stepchildren, foster children, and wards dependent on the sponsor for over half of their support.

E2.1.2.1.7.3. Children 21 years of age or over, unmarried, incapable of self-support because of a mental or physical handicap, and dependent on the sponsor for over half of their support, including adopted children, stepchildren, and wards.

E2.1.2.1.7.4. Unmarried children, including preadoptive children, adopted children, stepchildren, foster children, and wards not having passed their 23rd birthday and enrolled in a full-time course of study at an institute of higher learning and dependent on the sponsor for over half of their support.

E2.1.2.1.7.5. Parents, including father, mother, father-in-law, mother-in-law, stepparent, and parent-by-adoption, dependent on the sponsor for over half of their support.

E2.1.2.1.8. Orphan. Surviving unmarried children of a deceased Uniformed Service member or retired member of a uniformed Service, who are either adopted or natural born, under the age of 21 or over 21 if incapable of self-support, or under 23 and enrolled in a full-time course of study. The surviving children must have been dependents under the definition in paragraph E2.1.2.1., above, at the time of death of the parent or parents. Paragraph E2.1.2.1.7., above, is applicable in situations where the spouse remarries but the children formally have not been adopted by the new parent.

E2.1.2.1.9. Surviving Spouse. A widow or widower not remarried, or if remarried but reverted through divorce or demise of the spouse to a following married status:

E2.1.2.1.9.1. Members and retired members of the regular Army, Navy, Air Force, Marine Corps, and Coast Guard.

E2.1.2.1.9.2. Members of the Reserve components as defined in

paragraph E2.1.2.1.6., above, retired with pay or granted retirement pay for physical disability under 10 U.S.C. Section 1201 et seq. (reference (e)).

E2.1.2.1.9.3. Members of the Reserve components entitled to retired pay at age 60, but who elected to participate in the Survivor Benefit Plan before attaining that age.

E2.1.2.1.9.4. Members of the Fleet Reserve and Fleet Marine Corps Reserve.

E2.1.2.1.9.5. Recipients of the Medal of Honor.

E2.1.2.1.9.6. Members of the Reserve components who died from injuries incurred while on AD, ADT, or inactive duty training (IDT), or while traveling to or from the place where the member was to perform or had performed such duty.

E2.1.2.1.9.7. AD and retired officers and crews of vessels, and light keepers and depot keepers of the former Lighthouse Service.

E2.1.2.1.9.8. Veterans separated under honorable conditions who are eligible for compensation due to a 100 percent Service-connected disability.

E2.1.2.1.9.9. AD and retired commissioned officers of the Public Health Service.

E2.1.2.1.9.10. AD and retired commissioned officers and ships' officers of the NOAA and its predecessors, the Coast and Geodetic Survey, and the Environmental Science Services Administration. For the purposes of this section, retired ships' officers include only noncommissioned ships' officers or crewmembers of a vessel of the Coast and Geodetic Survey who either were on active duty as a vessel employee on July 19, 1963, and whose employment as such vessel employee was continuous from that date until the date of retirement, or who had retired as a vessel employee on or before July 19, 1963. Active duty ships' officers include only noncommissioned ships' officers or crewmembers on active duty as a vessel employee of the Coast and Geodetic Survey on July 19, 1963, and whose employment as such vessel employee has been continuous from that time.

E2.1.2.1.10. Retired Personnel

E2.1.2.1.10.1. All personnel carried on the official retired lists of the Uniformed Services as defined in paragraph E2.1.2.1.3., above, who are retired

with pay, granted retirement pay for physical disability, or entitled to retirement pay whether or not such pay is waived.

E2.1.2.1.10.2. All members of the Reserve components as defined in paragraph E2.1.2.1.6., above, retired with pay or granted retired pay for physical disability.

E2.1.2.1.10.3. Personnel of the emergency officers' retired list of the Army, Navy, Air Force, and Marine Corps who were retired under P.L. 85-857 (reference (f)).

E2.1.2.1.10.4. Retired officers and crews of vessels, and light keepers and depot keepers of the former Lighthouse Service (33 U.S.C. 754a, reference (g)).

E2.1.2.1.10.5. Retired commissioned officers and ships' officers of vessels of the NOAA and its predecessors, the Coast and Geodetic Survey, and the Environmental Science Services Administration. (Sections 857-4 and 857-5 of reference (g).) For the purposes of this section, retired ships' officer and retired crewmember means a noncommissioned ships' officer or crewmember of a vessel of the Coast and Geodetic Survey who either was on active duty as a vessel employee on July 19, 1963, and whose employment as such vessel employee was continuous from that date until the date of his retirement, or who had retired as a vessel employee on or before July 19, 1963.

E2.1.2.1.11. Precious Metals. Gold, silver, and other metals of similar or greater value, and platings and filling of those metals. This does not include minor ornamentations made of gold, silver, and other metals of similar or greater value.

E2.1.2.1.12. Continental United States (CONUS). The 48 contiguous states and the District of Columbia.

E2.1.2.1.13. Active Duty for Training (ADT). An AD tour that is used for training members of the Reserve components to qualify those members to fill the needs of the Military Services in time of war or national emergency and such other times as the national security requires. The tour of duty is prescribed under orders for a defined period of time and for a return to nonactive duty status when the ADT period is completed.

E2.1.2.1.14. Extended Active Duty (AD). Full-time duty in the active U.S. Military Services, entered into with the original expectation of serving for an

indefinite or stated period of time, other than ADT.

E2.1.2.1.15. Inactive Duty Training (IDT). Any training, instruction, duty, or the equivalent performed with or without compensation by members of the Reserve components of the Armed Services, as may be prescribed by the respective Secretary under law. Includes performance of special and additional authorized duties, authorized by such members on a voluntary basis in connection with the prescribed training or maintenance activities of the unit where the members are assigned.

E2.1.2.1.16. Agent

E2.1.2.1.16.1. A person temporarily authorized in writing (not to exceed 1 year unless extended for continuing hardship) by the commander at the command level designated by the Military Department concerned, to purchase for authorized patrons:

E2.1.2.1.16.1.1. In extreme hardship cases.

E2.1.2.1.16.1.2. When no adult dependent member is capable of shopping due to certified medical reasons or because the sponsor is stationed away from his or her household.

E2.1.2.1.16.1.3. When a dependent, as defined in paragraph E2.1.2.1.7., above, is a minor not living with an authorized patron or when the dependent is an orphan. An agent shall not be designated for a child who has attained the age of 16.

E2.1.2.1.16.2. A person chosen by a blind or other severely disabled eligible patron to accompany and assist the patron in shopping.

E2.1.2.1.16.2.1. Commanders designated by the respective Military Departments may issue letters of authorization that have the following or similar statement:

" _____ (Name of patron) _____, the bearer of Uniformed Services Identification and Privilege Card No. _____, is authorized to be accompanied by a person of his or her choice while shopping in a military exchange (and commissary store, if applicable)."

E2.1.2.1.16.2.2. The Military Departments may require annual

renewal.

E2.1.2.1.16.3. A representative designated in writing to shop for an official organization or activity.

E2.1.2.1.17. Unremarried Former Spouse. An unremarried former spouse of a member or former member who on the date of the final decree of divorce, dissolution, or annulment had been married to the member or former member for a period of at least 20 years, during which period the member or former member performed at least 20 years of Service that is creditable in determining that member's or former member's eligibility for retired, retainer, or equivalent pay; and the dependents of such former spouse.

E2.2. SECTION II--AUTHORIZED PATRONS

Scope of Section. This section lists the individuals and organizations entitled to unlimited and limited exchange privileges, except as may be modified in foreign countries by treaty or other international agreements; specifies the limited privileges that are to be extended to classes of personnel not entitled to unlimited privileges; and provides instructions for identifying authorized patrons.

E2.2.1. PART 1--UNLIMITED PRIVILEGES

E2.2.1.1. Patrons Entitled to Unlimited Privileges. The following individuals and organizations are entitled to all exchange privileges:

E2.2.1.1.1. All uniformed personnel on AD and their dependents, as defined in paragraph E2.1.2.1.7., above.

E2.2.1.1.2. All members of the Reserve components participating in regularly scheduled IDT on the basis of 1 day of unlimited privileges for each IDT period. Dependents may accompany the member or may utilize privileges instead of the member.

E2.2.1.1.3. All recipients of the Medal of Honor and their dependents as defined in paragraph E2.1.2.1.7., above.

E2.2.1.1.4. All retired personnel as defined in paragraph E2.1.2.1.10., above, and their dependents as defined in paragraph E2.1.2.1.7., above.

E2.2.1.1.5. Enlisted personnel transferred to the Fleet Reserve of the Navy and Fleet Marine Corps Reserve after 16 or more years of active military service. (These personnel are equivalent to Army and Air Force retired enlisted personnel.)

E2.2.1.1.6. Orphans as defined in paragraph E2.1.2.1.8., above.

E2.2.1.1.7. Surviving spouses as defined in paragraph E2.1.2.1.9., above, and dependent children and parents as defined in paragraph E2.1.2.1.7., above. Patron privileges shall be extended to dependent survivors of those members of Reserve components defined in subparagraph E2.1.2.1.9.3., above, effective on the 60th anniversary of the deceased member's birth.

E2.2.1.1.8. Contract surgeons during the period of their contract.

E2.2.1.1.9. Red Cross personnel assigned to duty outside the CONUS, Alaska, Hawaii, and Puerto Rico with an activity of the Military Services and their dependents as defined in paragraph E2.1.2.1.7., above.

E2.2.1.1.10. Officers and enlisted personnel and their dependents of the military services of foreign nations on AD, as follows:

E2.2.1.1.10.1. When on duty with U.S. Military Services under orders issued by the U.S. Army, Navy, Air Force, or Marine Corps. (Excluded are officers and enlisted personnel of foreign nations, retired or on leave in the United States, or when attending U.S. schools, but not under orders issued by the U.S. Army, Navy, Air Force, or Marine Corps.)

E2.2.1.1.10.2. In overseas areas, when determined by the major overseas commander that the granting of such privileges is in the best interests of the United States and such persons are connected with, or their activities are related to, the performance of functions of the U.S. Military Establishment.

E2.2.1.1.11. Official organizations or activities of the Military Services that are composed of personnel on active military duty.

E2.2.1.1.12. Honorably discharged veterans of the uniformed services and members of Reserve components when hospitalized where exchange facilities are available.

E2.2.1.1.13. Honorably discharged veterans of the uniformed services with a 100 percent service-connected disability and their dependents as defined in paragraph E2.1.2.1.7., above.

E2.2.1.1.14. Government Departments or Agencies outside the Department of Defense when determined by the local commanding officer that the desired supplies or services may not be obtained conveniently elsewhere, and that the supplies or services may be furnished without unduly impairing the service to exchange patrons.

E2.2.1.1.15. Agents as defined in paragraph E2.1.2.1.16., above, may be authorized to shop only for patrons entitled to unlimited privileges, but are not authorized to shop in their own right.

E2.2.1.1.16. U.S. civilian DoD employees and their dependents stationed outside of CONUS, Alaska, and Hawaii.

E2.2.1.1.17. U.S. employees and their dependents of firms under contract to the Department of Defense employed outside of CONUS, Alaska, and Hawaii.

E2.2.1.1.18. United Service Organizations (USO), Inc., personnel stationed outside the CONUS, Alaska, and Hawaii. Overseas commanders may extend privileges to USO area executives, USO executive directors, and assistant executive directors when in the capability of the exchange and shall not impair the military mission.

E2.2.1.1.19. Unremarried former spouse as defined in paragraph E2.1.2.1.7., above. In accordance with P.L. 97-252 (reference (h)), patronage authority shall apply in the case of any unremarried former spouse of a member or former member of the uniformed services only if the final decree of divorce, dissolution, or annulment of the marriage of the former spouse and such member or former member is dated on or after February 1, 1983.

E2.2.2. PART 2--LIMITED PRIVILEGES.

E2.2.2.1. Patrons entitled to Limited Privileges. The following classes of persons shall be entitled to limited exchange privileges as set forth in paragraphs E2.2.2.1.1. thru E2.2.2.1.9., below, and as restricted by section E2.4.5., below, of this enclosure.

E2.2.2.1.1. Inactive Reserve Components. Members of Reserve components not on extended AD, ADT, IDT, or hospitalized shall be entitled to purchase such necessary articles of uniform clothing, accouterments, and equipment in such quantities as shall be required immediately when called to AD.

E2.2.2.1.2. Armed Services Personnel of Foreign Nations. AD officers and enlisted men of the armed services of foreign nations when visiting a U.S. military installation shall be entitled to all exchange privileges, except that merchandise sold to such personnel shall be restricted to quantities required for their personal use.

E2.2.2.1.3. Uniformed and Nonuniformed Personnel of Recognized Welfare Services. Uniformed and nonuniformed personnel working in recognized welfare service organization offices in an activity of the Military Services shall be entitled to the privileges of the fountain, snack bar, and restaurant when the local commanding officer determines that these facilities are not conveniently available from other sources.

E2.2.2.1.4. Exchange Employees. Exchange employees shall be entitled to all privileges of the exchange system where they are employed, except for purchase of articles of uniform and State tax-free items. Dependents of this patron category are authorized access to exchanges, but are not authorized to make purchases.

E2.2.2.1.5. Civilian Employees and Red Cross Personnel Residing on Military Reservations. Civilian employees and full-time paid staff of the Red Cross and their dependents who are required to reside on military reservations in CONUS, Alaska, Hawaii, and Puerto Rico shall be entitled to exchange privileges, except articles of uniform and State tax-free items.

E2.2.2.1.6. Civilian Employees Within the CONUS, Alaska, and Hawaii, Not Residing on Military Reservations. Civilian employees working on, while residing off, military reservations shall be entitled to the privileges of the fountain, snack bar, and restaurant when the local commanding officer determines that these facilities are not conveniently available from other sources.

E2.2.2.1.7. Civilian DoD Employees When in Temporary Duty Status. Civilian DoD employees shall be entitled to exchange privileges, except for articles of uniform and State tax-free items when in temporary duty status for the following:

E2.2.2.1.7.1. Outside of CONUS, Alaska, and Hawaii.

E2.2.2.1.7.2. When occupying Government quarters on military installations.

E2.2.2.1.8. Visitors. Visitors to military reservations shall be entitled to the privileges of the fountain, snack bar, and restaurant when the local commanding officer determines that these facilities are not conveniently available from other sources.

E2.2.2.1.9. Service Orientation Program Participants. Members of Reserve Officers Training Corps and Junior Reserve Officers Training Corps while visiting installations under orders as part of a Service-orientation program, members of the Naval Sea Cadet Corps on 2-week summer training duty, and members of the Civil Air Patrol Corps on 2-week summer training duty, if occupying Government quarters on a military installation, are authorized exchange privileges except purchase of tax-free items. Civil Air Patrol cadets and senior members also are authorized to purchase articles of uniforms when necessary as authorized by Civil Air Patrol Directives and as reflected by Air Force Regulations when identified properly by an official Civil Air Patrol membership card.

E2.2.3. PART 3--IDENTIFICATION OF PATRONS

E2.2.3.1. Positive Identification Required. Any individual seeking to make a purchase from an exchange positively shall be identified as an authorized patron before consummating a sale. Patrons in complete regulation U.S. military uniform may be identified thereby. The credentials of nonuniformed patrons shall be checked carefully to ensure that each individual is entitled to patron privileges. Sales shall be made only to authorized patrons.

E2.2.3.2. Types of Identification Required. Subject to the instructions in paragraph E2.2.3.3., below, and except as in paragraph E2.2.3.4., below, authorized patrons of exchanges shall be identified by the complete regulation U.S. military uniform, by an official *Uniformed Services Identification Card, by an Armed Forces Exchange Service Identification and Privilege Card (DD Form 2574)*, or by an official identification card issued by the Military Service of which the patron is a member. Each card shall be laminated and bear the picture and signature of the person to whom issued. The Defense Enrollment Eligibility Reporting System (DEERS) may be used to verify authorized military exchange catalog customers.

E2.2.3.3. Identification Procedures. Except for personnel in complete regulation U.S. military uniform, exchanges shall accept the identification cards

referred to in paragraph E2.2.3.2., above, as proper identification for the following: members of the Uniformed Services who are on-extended AD; members of the Reserve components who are on ADT or IDT; members of the Reserve components in an inactive status when purchasing under paragraph E2.2.2.1.1., above; retired personnel; dependents; and employees of the exchange services. Besides the identification cards referred to in paragraph E2.2.3.2., above, members of the Reserve components who are on ADT shall be required to produce orders; and members of Reserve components who are participating in IDT shall be required to produce a leave and earnings statement or letter of authorization issued by the Reserve component organization. Dependents of members of Reserve components who utilize their sponsor's exchange privileges shall be identified by a driver's license and by an endorsed copy of the sponsor's orders, a leave and earnings statement, or a letter of authorization issued by the Reserve component organization.

E2.2.3.4. Patrons of Fountains, Snack Bar, and Restaurant Facilities. Identification cards shall not be required of personnel who are authorized only to patronize fountain, snack bar, and restaurant facilities under the conditions in paragraphs E2.2.2.1.3., E2.2.2.1.6., and E2.2.2.1.8., above.

E2.3. SECTION III--SCOPE OF OPERATION

E2.3.1. PART 1--AUTHORIZED ACTIVITIES

E2.3.1.1. List of Activities. Secretaries of the Military Departments shall prescribe the activities that may be operated by the exchanges under their cognizance. Exchanges are authorized to operate the following activities:

E2.3.1.1.1. Retail stores.

E2.3.1.1.2. Mail order catalog services.

E2.3.1.1.3. Automobile garages and service stations.

E2.3.1.1.4. Restaurants, cafeterias, and snack bars, to include nationally recognized franchised food outlets and membership clubs (i.e., open messes).

E2.3.1.1.5. Packaged beverage stores.

E2.3.1.1.6. Barber and beauty shops.

E2.3.1.1.7. Flower shops.

E2.3.1.1.8. Laundries, dry cleaning, and pressing.

E2.3.1.1.9. Tailor shops.

E2.3.1.1.10. Watch repair shops.

E2.3.1.1.11. Radio and television repair shops.

E2.3.1.1.12. Shoe repair shops.

E2.3.1.1.13. Photographic studios.

E2.3.1.1.14. Vending and amusement machines.

E2.3.1.1.15. Guest and hostess houses.

E2.3.1.1.16. Taxicab and bus services.

E2.3.1.1.17. Personal services.

E2.3.1.1.18. Newsstand.

E2.3.1.1.19. Fresh meat and produce departments (when specifically authorized by the Secretary of the Military Department concerned, (paragraph E2.3.3.1., below).

E2.3.1.1.20. Pay telephone stations.

E2.3.1.1.21. Telephone calling centers.

E2.3.1.1.22. Cable television services.

E2.3.1.1.23. Mini-storage facilities (each location subject to MWR Panel, Readiness Subcommittee, House Armed Services Committee (HASC) review before activation).

E2.3.1.1.24. Recreational, social, and family support activities.

E2.3.2. PART 2--AUTHORIZED RESALE ITEMS

E2.3.2.1. Items Authorized in CONUS

E2.3.2.1.1. Except as provided in subparagraph E2.3.2.1.2., below, exchanges are authorized to stock and sell only the items of merchandise as listed in attachment E2.A1. to this enclosure. Each Military Service may designate the items that may be stocked in its exchanges. Price limitations on authorized items, as prescribed in this list, apply to the cost (invoice) price.

E2.3.2.1.2. The Secretaries of the Military Departments may prescribe in their regulations a selection of foods and beverages including malt beverages, wines, and other alcoholic beverages. Those items shall supplement the primary full-line grocery service provided by the commissary systems.

E2.3.2.2. Overseas Stockage and Sale of Items. Secretaries of the Military Departments or their designees shall determine items to be stocked or sold outside of CONUS. Orders may be taken by overseas exchanges for U.S.-made automobiles, motorcycles, and furniture for delivery in CONUS with a permanent change of station.

E2.3.2.3. Price Limitations. The price limitations shown in attachment E2.A1. of this enclosure are stated in two amounts. The first amount is the price limitation for the category or item as initially approved by the House Armed Services Committee and is stated in terms of price prevailing in the base year 1967. The second amount reflects changes in economic conditions occurring since the base year 1967. The latter price is the current maximal cost price authorized for procuring authorized resale items for resale by exchanges. This latter price shall be adjusted from time to time based upon change in the Department of Labor producer price index (1967 = 100) for industrial commodities. When a 5 percent change in the index has been existent for a 6 months period, the Deputy Assistant Secretary of Defense (Military Personnel and Force Management), Office of the ASD(FM&P), shall issue a change to this Directive showing the revised cost price limitations.

E2.3.2.4. Additional Resale Items. Requests for additional resale items in CONUS should be submitted as requests for deviations from the Regulations in paragraph E2.1.1.3., above.

E2.3.3. PART 3--FRESH MEAT AND PRODUCE DEPARTMENTS

E2.3.3.1. Statement of Policy. When no commissary store is available on the installation, and when fresh meat and produce merchandise is not available within a reasonable distance at a reasonable price, or in satisfactory quality and quantity, an

exchange may be authorized to operate fresh meat and produce departments as itemized in paragraph E2.3.3.2., below. At such locations, the exchanges may expand the grocery selection from the basic convenience level cited in subparagraph E2.3.2.1.2., above, to a level that meets customer grocery service requirements. The fresh meat, produce, and full-line grocery departments may be authorized by the Secretary of the Military Department concerned. When an existing commissary is disestablished, an exchange may be authorized to operate fresh meat, produce, and full-line grocery departments. When the need no longer exists, the authority to operate meat, produce, and expanded grocery departments shall be withdrawn by the Secretary of the Military Department concerned.

E2.3.3.2. Authorized Food Exceptions

E2.3.3.2.1. When fresh meats and produce departments are authorized, the following merchandise may be sold by the exchanges:

E2.3.3.2.1.1. Fresh meat.

E2.3.3.2.1.2. Fresh poultry.

E2.3.3.2.1.3. Fresh seafood.

E2.3.3.2.1.4. Fresh fruit.

E2.3.3.2.1.5. Fresh produce.

E2.3.3.2.2. Other necessary grocery items may be sold without limitation in number of items or container size.

E2.3.4. PART 4--SPECIAL ORDERS

E2.3.4.1. Statement of Policy. Exchanges in CONUS are prohibited from selling, by special order or catalog, merchandise not included in the list of authorized resale items in attachment E2.A1. of this enclosure or merchandise costing more than applicable cost limits. This restriction also applies to concessionaire activities.

E2.4. SECTION IV--OPERATIONS, POLICIES AND INSTRUCTIONS

E2.4.1. PART 1--ORGANIZATION

E2.4.1.1. Organizational Structure. Each Military Service shall utilize in its

exchange operation the organizational structure that it considers best adapted to its requirements.

E2.4.2. PART 2--AUDITS AND INSPECTIONS

E2.4.2.1. External Audits. Each Military Service shall require annual audits of its exchange systems by a certified public accounting firm or firms. These audits shall include the central offices (if maintained) and such regional organizations and individual exchanges as may be necessary to obtain properly certified statements as to the financial condition of the exchanges under the cognizance of each Military Service. Audits by certified public accountants shall comply with DoD Instruction 7600.6 (reference (i)). Enclosure E1. in reference (i) prescribes the minimal requirements for audits of nonappropriated fund (NAF) instrumentalities conducted by independent public accountants.

E2.4.2.2. Internal Audits and Inspections. Each Military Service shall determine and require such internal audits and inspections as it may consider necessary or desirable, and that internal audits meet the requirements in DoD Instruction 7600.6 (reference (i)), DoD Instruction 7600.2 (reference (j)), and OMB Circular No. A-73 (reference (k)).

E2.4.3. PART 3--METHODS OF OPERATIONS

E2.4.3.1. Direct or by Concession. Any or all of the Military Service facilities listed in paragraph E2.3.1.1., above, shall be prescribed by the applicable Military Service and may be operated directly by an exchange or operated as an exchange concession. Concessionaire operations may be authorized in accordance with procedures prescribed by each Military Service. These procedures shall provide for comparison of alternative costs before determining method of operation.

E2.4.4. PART 4--PRICING

E2.4.4.1. Statement of Policy. Merchandise and services sold through the military exchange, whether by direct or concession sale, should be priced in a substantially uniform manner at the lowest practicable level consistent with the primary mission of the military exchanges of providing authorized patrons with articles and services necessary for their health, comfort, and convenience. The creation of a supplemental source of funding for military general welfare and recreational programs is to be considered a secondary mission when establishing selling prices.

E2.4.4.2. Establishment of Prices. Each exchange service shall set prices to

be charged for merchandise and services in accordance with policies and procedures prescribed by each Military Department. The pricing policies of the Military Departments shall encourage maximal pricing commonality among the military exchange services.

E2.4.5. PART 5--CONTROL OF SALES

E2.4.5.1. Purchase Limitations. Secretaries of the Military Departments or their designees may prescribe purchase limitations to control the sale of any particular item of exchange merchandise.

E2.4.5.2. Deferred Payments

E2.4.5.2.1. Except as provided in subparagraphs E2.4.5.2.2. and E2.4.5.2.3., below, the Secretaries of the Military Departments or their designees may authorize only the following limited types of merchandise sale or services on a deferred payment basis for which no finance or interest charges shall be assessed:

E2.4.5.2.1.1. Articles necessary for the health, comfort, or convenience of recruits, officer candidates, reenlistees, prisoners, or detained personnel. Payment shall be made within 30 days.

E2.4.5.2.1.2. Military uniforms and accessories. The liability of any individual shall not exceed the initial cost of the uniform requirement, to be paid in not more than 12 monthly installments.

E2.4.5.2.1.3. Articles or services delivered or provided to private on-base quarters, such as milk or bread deliveries. Billing and payment shall be monthly.

E2.4.5.2.1.4. Sales to other authorized Government Agencies or instrumentalities. Billing and payment shall be monthly.

E2.4.5.2.2. Secretaries of the Military Departments or their designees may authorize exchanges in overseas areas to sell merchandise on a deferred payment basis. Deferred payment plans and any substantive changes, including patron eligibility, dollar or merchandise limitation, repayment schedules, finance charges, and default and collection provisions shall be submitted to ASD(FM&P) for prior approval.

E2.4.5.2.3. Exchange services are authorized to accept nationally recognized credit cards. Exchange concessionaires may be authorized to accept those

charge cards or to conclude other credit arrangements customarily recognized in their commercial trade.

E2.4.6. PART 6--SUPPORT OF EXCHANGE

E2.4.6.1. Statement of Policy. Appropriated and nonappropriated fund support of exchanges shall be provided in accordance with the policies in DoD Directive 1015.6 (reference (l)).

E2.4.6.2. Military Personnel. Military personnel shall be assigned to exchange operations in accordance with the policies in DoD Directive 1015.4 (reference (m)).

E2.4.7. PART 7--TAXES

E2.4.7.1. Federal Retailers Excise Tax. The Federal Retailers Excise Tax shall be included in the sales price of all merchandise subject to this tax.

E2.4.7.2. Sales of State Tax-Free Tobacco Products. State tax-free tobacco products shall be sold only to those individuals, organizations, and activities entitled to unlimited privileges under subparagraphs E2.2.1.1.1. through E2.2.1.1.14., above, and to members of Reserve components on IDT. Sale of State tax-free tobacco products to such members of Reserve components on IDT shall be limited to quantities that reasonably may be consumed while on duty, or to the minimal sale unit, if such State tax-free tobacco products shall not be removed from the installation.

E2.4.7.3. Sales of State Tax-Free Beverages. State tax-free soft drinks and alcoholic beverages shall be sold only to those individuals, organizations, and activities entitled to unlimited privileges under subparagraphs E2.2.1.1.1., E2.2.1.1.2., E2.2.1.1.3., E2.2.1.1.4., E2.2.1.1.5., E2.2.1.1.6., E2.2.1.1.7., E2.2.1.1.8., E2.2.1.1.9., E2.2.1.1.10., E2.2.1.1.11., E2.2.1.1.12., E2.2.1.1.13., and E2.2.1.1.14. and to members of Reserve components on IDT. Sale of State tax-free beverages to such members of Reserve components on IDT shall be limited to quantities that reasonably may be consumed while on duty, or to the minimal sale unit, so that such State tax-free beverages shall not be removed from the installation.

E2.4.8. PART 8--PROCUREMENT POLICY

E2.4.8.1. Statement of Policy. Procurement shall be in accordance with DoD Instruction 4105.67 (reference (n)) and implementing Regulations published by the Military Departments

E2.4.9. PART 9--LEGAL STATUS

E2.4.9.1. Legal Status. The military exchanges are U.S. instrumentalities. Military exchanges are entitled to the immunities and privileges enjoyed by the Federal Government under the Constitution, Federal Statutes, established principles of law, and international treaties and agreements. The military exchanges are immune from direct State taxation and from State regulatory laws, such as licensing and price control statutes, whose application might result in interference with the performance by the military exchanges of their assigned Federal functions.

Attachments - 1

1. Authorized Resale Items in CONUS Exchanges

E2.A1. ATTACHMENT 1 TO ENCLOSURE 2AUTHORIZED RESALE ITEMS IN CONUS EXCHANGES

<u>ITEM</u>	<u>BASE PRICE</u> <u>1967</u>	<u>CURRENT</u> <u>COST LIMIT</u>
<u>Tobacco and Accessories (excluding those made of precious metals)</u>		
Ash trays		
Cases; cigarette		
Cigarette boxes		
Cigarettes		
Cigars		
Flint and wicks		
Fluid; lighter		
Holders; cigar or cigarette		
Humidors		
Lighters		
Matches		
Moisteners; tobacco		
Paper; cigarette		
Pipe cleaners		
Pipe filters		
Pipes		
Pipe racks		
Pouches; tobacco		
Tobacco		
Snuff		
<u>Toiletries and Drugs</u>		
Belts; sanitary		
Bottles; infants', including nipples		
Brushes; tooth		
Brushes		
Containers; soap, tooth brush, etc.		
Cotton; absorbent		
Cream; dental		
Combs; pocket		
Dental floss		
Dentifrices		
Deodorants; perspiration		
Douche bags		
Hair preparations		

<u>ITEM</u>	<u>BASE PRICE</u> <u>1967</u>	<u>CURRENT</u> <u>COST LIMIT</u>
Jelly; petroleum		
Lipstick (excluding those with containers made of precious metals)		
Napkins; sanitary		
Nets; hair		
Pins; hair and bobby		
Polish; nail		
Pomade; lip		
Powder; face and compact		
Powder; foot		
Powder; talcum		
Powder; tooth		
Prophylactics		
Puffs; powder		
Remedies, standards, first aid (item and brands as approved by the Surgeons General)		
Remover; nail polish		
Rouge; including eye makeup		
Shampoo		
Shaving accessories and supplies		
Skin creams and lotions		
Soap		
Solution; antiseptic		
Tissue; cleansing		
Tissue; toilet		
Wigs, falls, wiglets, chignons, and other hairpieces		
<u>Stationery and Supplies</u>		
Books, manuals, and periodicals		
Books; scrap		
Calculators; electronic		
Cards; greeting, including postal		
Cards; playing		
Envelopes		
Games		
Ink		
Paper; writing		
Pencils; mechanical and lead		
Pens; holders and points		
Photograph albums, including mounting aids		
Photo frames (excluding those made of precious metals)		

<u>ITEM</u>	<u>BASE PRICE</u> <u>1967</u>	<u>CURRENT</u> <u>COST LIMIT</u>
Stationery supplies		
Training aid supplies		
Typewriters; portable		
<u>Clothing and Accessories (Military Type)</u>		
Bags; shoulder		
Belts		
Caps		
Cap covers		
Cuff links (military)		
Garters		
Gloves		
Insignia		
Mufflers		
Neckties		
Shirts		
Shoes		
Socks		
Cloth and findings (for outer garments of tailor-made uniforms)		
Outer garments in accordance with Departmental regulations		
<u>Clothing and Accessories (Civilian Type)</u>		
Belts		
Boots; men's and ladies'		
Children's clothing and footwear		
Coats; outerwear, men's and ladies' (except fur)		
Collar stays		
Dress shields		
Dresses:		
Ladies' dresses and apparel including maternity clothes		
Gloves		
Handkerchiefs		
Headwear, rain hats, and others		
Handbags		
Helmets		
Infants' clothing		

<u>ITEM</u>	<u>BASE PRICE</u> <u>1967</u>	<u>CURRENT</u> <u>COST LIMIT</u>
Intimate apparel; female:		
Brassieres		
Girdles and garter belts		
Gowns		
Panties		
Slips		
Ladies suits		
Men's suits and multipiece sets		
Mufflers		
Neckties		
Overshoes and rubbers		
Pants for sports and casual wear		
Pajamas		
Robes		
Sandals, bath		
Shirts and blouses, dress and sports		
Shoes:		
Men's and ladies'		
Athletic		
Shorts and trunks		
Skirts		
Slippers		
Socks		
Sports Coats		
Stockings		
Supporters; athletic		
Suspenders		
Sweat shirts		
Sweaters		
Swim suits and trunks		
Umbrellas		
Underwear		
Yard goods		
Work clothes		

<u>ITEM</u>	<u>BASE PRICE 1967</u>	<u>CURRENT COST LIMIT</u>
<u>Jewelry</u>		
Bracelets		*
Charms		*
Clips or pins; Tie or collar		*
Compacts		*
Cuff links		*
Earrings		*
Identification chains		*
Locketts		*
Necklaces		*
Pins		*
Rings		*
Diamond; 1/2 carat		
Others:		
Watches		*
Watch straps and attachments		
Jewelry, with military insignia (nonuniform)		*

* Current cost limit for those jewelry items marked with an asterisk shall be the equivalent of the cost/price of two ounces of gold.

Housewares and Accessories

Accessories; kitchen (such as pots, pans, bowls, pitchers, can opener, spatulas, eggbeaters, food choppers, cutlery, and paper products)

Baby furniture:

Car seats

Safety gates

Bassinets and car beds

Highchairs, mattresses, and playpens

Strollers, baby baths, cribs, baby buggies, chest of drawers, and walkers

Bags; garment and laundry

Bathroom fixtures and accessories (such as mats, towel bars, glass holders, toothbrush holders, and fixture covers)

Blankets, sheets, and pillowcases

Casual home furnishings:

\$ 44.56 \$ 144.80

Area rugs (less than 9' x 12')

Folding tables and chairs

Foam flip-out chairs

Cleaning and maintenance equipment and supplies, carpet sweepers, ironing boards, kitchen stools, clothes dryers, etc.

<u>ITEM</u>	<u>BASE PRICE 1967</u>	<u>CURRENT COST LIMIT</u>
Clocks (excluding those made of precious metals)		
Decorative housewares and accessories	\$ 44.56	\$ 144.80
Dinnerware:		
Up to six-piece place setting		
Serving accessories		
Electrical appliances:		
Floor polishers		
Food processors, fans, and coffeemakers		
Humidifiers, dehumidifiers, and air purifiers		
Microwave ovens		
Refrigerators, under-the-counter size, not exceeding 5.5 cubic feet		
Rotisseries, roasters, and broilers		
Vacuum cleaners		
All other electrical appliances	\$ 20.19	\$ 65.60
Personal and home computers:		
Central processing unit, internal storage and keyboard (Includes package systems)		\$ 3,000.00
External storage devices		\$ 800.00
Monitor		\$ 812.50
Other peripherals		\$ 2,000.00
Electrical supplies (such as bulbs, plugs, outlets, and wire)		
Flatware and flatware sets, including chest		
Glasses; drinking		
Hangers; clothing		
Home and automotive phonostereo units:		
Complete electronic systems - Imported	\$ 312.50	\$ 1,015.65
Complete electronic systems - Manufactured by U.S. sources	\$ 468.75	\$ 1,523.45
Components	\$ 250.00	\$ 812.50
Lamps; all types		
Linens; table		
Plants and shrubs		
Radios; table and portable, including automotive types	\$ 70.86	\$ 230.30
Ready-to-assemble furniture, including bunkbeds and headboards		
Sewing accessories		
Sewing machines, including cabinets and accessories		
Tape recorders, including sound tape tracks and video recorders		
Tapes, phono records, and supplies		
Television sets, table models only, no larger than 27 inches, manufactured or assembled in the United States.		
Washing machines; small portable type		
Window curtains, shades, and venetian blinds		

<u>ITEM</u>	<u>BASE PRICE</u> <u>1967</u>	<u>CURRENT</u> <u>COST LIMIT</u>
<u>Miscellaneous</u>		
Bags; sleeping, including mattress		
Belts; money		
Brushes; shoe		
Button boards		
Cloth; metal polishing		
Cloth; shoe		
Collectables: Coins, medallions, and commemorative items, to include stamps, that are issued, sold, or authorized to be sold by the United States Government.		
Cosmetic sets		
Dresser sets		
Flashlights; bulbs and batteries		
Hampers		
Key containers		
Kits; toilet		
Knives; pocket or sporting		
Laces; shoe		
Locks		
Luggage, footlockers, duffelbags, and other carrying bags		
Manicure implements		
Mirrors		
Nail files		
Needles and thread		
Perfume and toilet water		
Pet food and supplies		
Polish; shoe		
Religious goods (laymen only)		
Scissors		
Shoe cleaning supplies		
Shoe trees		
Soap; laundry		
Soap; saddle		
Solar collectors (self-installed types)		
Stopper; ear		
Storm windows and insulation materials (do-it-yourself types)		
Sunglasses; utility type		
Towels		
Toys		
Trunks		
Wallets		
Washcloths		
Wood burning stoves and accessories		

<u>ITEM</u>	<u>BASE PRICE</u> <u>1967</u>	<u>CURRENT</u> <u>COST LIMIT</u>
<u>Sports and Recreational Equipment and Supplies</u>		
Aquatic equipment		
Bicycles		
Cameras and projectors		
Camera and projector accessories		
Fishing equipment		
Golf club sets		
Guns and gun accessories		
Physical fitness exercise equipment		
Power tools; outdoor power equipment, including lawn mowers, edgers, and snow blowers		
Ski equipment	\$ 108.70	\$ 353.30
Surfboards		
Tents		
All other items of sports; recreational, garden, and manual arts equipment and supplies, photographic supplies, and film	\$ 66.67	\$ 216.70
 <u>Automotive</u>		
Gasoline and oil		
Supplies; accessories and special order for do-it-yourself customers		
Batteries		
Tires		